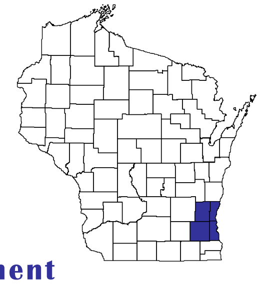
WORKFORCE OBSERVATIONS

for the Southeastern Wisconsin Counties

Kenosha, Racine, and Walworth Counties



published quarterly by the Office of Economic Advisors, Wisconsin Department of Workforce Development

Third Quarter 2005

In this issue:

New Population Estimates Show Continued Regional Growth

Within the past several weeks, analysts and researchers throughout the state have closely reviewed the final 2005 population estimated released by the Wisconsin Department of Administration's Demographic Services Center. Of particular interest is a continuing trend of steady suburban growth in each of the state's major urban areas. Given Kenosha, Racine, and Walworth counties' deep connections to two major metropolitan areas, this trend is particularly salient.

As of January 1, 2005, the region's population was slightly less than 450,000 residents, or roughly 20,000 more residents than had been reported through the 2000 Census. This has resulted in a net growth rate of 4.5 percent, which is significantly higher than the state's growth rate of 4.0 percent over the same period. Similarly, the nation grew at a rate of 4.9 percent since 2000, suggesting that, despite continuing a pattern of impressive growth, southeastern Wisconsin has been somewhat unsuccessful in attracting new residents when taken in comparison with other, more rapidly growing regions of the country, particularly states in the Southeast and Southwest.

WDA	County	Census 2000 Population	July 1, 2005 Population Estimate	# Change	% Change
Southeastern	KENOSHA	149,577	158,219	8,642	5.8%
Southeastern	RACINE	188,831	193,239	4,408	2.3%
Southeastern	WALWORTH	92,013	98,496	6,483	7.0%
	Total	**430,421**	**449,954**	**19,533**	**4.5%**
	Wisconsin	5,363,715	5,580,757	217,042	4.0%

When taken from a larger regional perspective, growth in the southeast region of the state becomes significantly more impressive when compared to the growth observed in the Milwaukee—Waukesha - West Allis MSA, a region that is interconnected both economically and culturally with the three counties discussed in this report. The Milwaukee area's population increased by just 1.8 percent over the course of the past five years, suggesting that the region's growth has continued a pattern established in the 1980's and 1990's, with significant growth occurring in the more rural and small urban areas and more modest growth noted in more urbanized areas. This has certainly been the trend throughout the greater southeastern region of the state, where Milwaukee County, which serves not only as the economic locus of the region, but also as home to nearly half of the region's population.

During the same period that each of the other counties in the region (Ozaukee, Washington, and Waukesha counties in addition to the counties included here) experienced significant population growth, the population of Milwaukee County actually declined by 0.7 percent. While this slight decline is neither significant nor particularly surprising, given recent migration patterns, it does reinforce the notion that the region is continuing a process of convergence, both economically and residentially.

Region Continues to Demonstrate Signs of Stability in Third Quarter

Regional Labor Force Responds to Seasonal Forces

During the Third Quarter 2005, the Southeast Wisconsin regional labor force once again showed signs of marked improvement. The labor force, as a whole, grew by slightly more than 2,600 persons over estimates for the second quarter, suggesting that a number of new and previously inactive individuals have entered and/or returned to the region's economy. While this growth may be the result, in part, of seasonal employment patterns in a number of industries, any sign of aggregate growth does warrant future interest.

Just as the region's labor force continued to demonstrate signs of sustained growth in the third quarter, the number of employed workers in the region also improved, adding nearly 2,900 persons to a quarterly level of 229,000. One should note that this figure is significantly higher than the total industry employment estimate reported for the region. While not surprising, this disparity again points to the marked degree of interconnectivity the region continues to share with both the Milwaukee and Northern Illinois regional labor markets.

The net result of these two parallel trends in labor force and employment growth is a slight decrease in the region's unemployment rate during the third quarter. The Workforce Development Area's unemployment rate stood at 5.2 percent during this period, or 0.2 percent below estimates for the second quarter. All regional estimates available throughout Southeast Wisconsin at both the county and municipal level also shared this generally positive trend, with the exception of the City of Kenosha, whose unemployment rate of 6.4 percent remained unchanged since the second quarter. Among the most significant regional decreases in general unemployment are Walworth County, Racine County, and the City of Racine, all of which experienced drops of between 0.2 and 0.3 percent. This comes as particularly good news for the City of Racine as it continues to rebound from a number of significant declines in manufacturing employment over the course of the past several years.

	Third Quarter 2005			
	Labor Force	# of Employed	# of Unemployed	Unemploy. Rate
Kenosha County	84,500	79,700	4,700	5.6%
Racine County	100,400	94,600	5,800	5.8%
Walworth County	56,700	54,600	2,100	3.7%
Southeast WDA	241,600	229,000	12,600	5.2%
Kenosha City	49,200	46,100	3,200	6.4%
Racine City	39,600	35,900	3,700	9.4%
Wisconsin	3,070,100	2,934,700	135,400	4.4%
United States	150,795,500	143,212,500	7,583,000	5.0%
	Change Compared to Previous Quarter			
Kenosha County	1,500	1,500	0	-0.1%
Racine County	940	1,090	-150	-0.2%
Walworth County	160	300	-150	-0.3%
Southeast WDA	2,620	2,880	-260	-0.2%
Kenosha City	900	900	100	0.0%
Racine City	390	410	-30	-0.2%
Wisconsin	17,730	25,810	-8,080	-0.3%
United States	1,635,830	1,550,500	85,670	0.0%
	Change Compared to Same Quarter, Previous Year			
Kenosha County	0	100	-100	-0.1%
Racine County	-1,050	-1,050	0	0.1%
Walworth County	-930	-830	-100	-0.1%
Southeast WDA	-1,970	-1,800	-170	0.0%
Kenosha City	0	0	-100	-0.2%
Racine City	-360	-400	40	0.2%
Wisconsin	-19,410	-16,220	-3,190	-0.1%
United States	2,605,830	3,023,500	-418,000	-0.4%

Source: DWD Office of Economic Advisors analysis of data supplied by DWD Bureau of Workforce Information and the U.S. DOL Bureau of Labor Statistics. Data are not seasonally adjusted and are preliminary.

Looking at a longer term perspective, we also see that unemployment throughout the region remains slightly lower than similar figures reported a year ago, again suggesting that the economy continues on a general path of recovery.

Industry Employment Improving

The Southeast Wisconsin WDA once again experienced a mixed growth pattern in the third quarter. Total industry employment throughout the region stood at slightly more than 180,000 positions during the period, marking an eight-tenths of a percent increase from the previous quarter. This growth rate eclipsed the statewide mark of 0.3 percent and suggests that the region, as a whole, has enjoyed a greater degree of economic security than the nation, as a whole.

Owing to significant cutbacks in the domestic automotive industry and the initial employment effects of Hurricane Katrina and Rita, the United States economy lost 295,000 positions during the third quarter. While much of this loss can be attributed to seasonal fluctuations in the education sector, the nation continues to experience significant decreases in manufacturing and transportation, warehouse, and utilities employment. Given the close relation between the two sectors, we would expect these parallel patterns to continue so long as manufacturing productivity increases remain coupled with decreasing orders, both domestically and internationally.

Local/State/National Quarterly Industry Employment

	Avg. # of Nonfarm Jobs by Industry Sector			Industry Sector as a % of Total Nonfarm Employment		
	United States	Wisconsin	Southeast Wisconsin WDA	United States	Wisconsin	Southeast Wisconsin WDA
	Q3-2005	Q3-2005	Q3-2005	Q3-2005	Q3-2005	Q3-2005
All Industries	133,774,000	2,848,900	181,200	100.0%	100.0%	100.0%
Construction/Natural Resources	8,109,000	149,400	8,900	6.1%	5.2%	4.9%
Manufacturing	14,291,700	508,100	37,700	10.7%	17.8%	20.8%
Retail Trade	15,219,300	315,200	xx	11.4%	11.1%	xx
Wholesale Trade	5,753,300	118,600	xx	4.3%	4.2%	xx
Transport/Warehouse/Utilities	4,921,000	108,000	4,900	3.7%	3.8%	2.7%
Financial Activities	8,286,700	159,300	5,600	6.2%	5.6%	3.1%
Education and Health Services	17,177,700	380,800	23,600	12.8%	13.4%	13.0%
Leisure and Hospitality	13,198,300	273,700	69,300	9.9%	9.6%	38.2%
Info./Prof./Bus.and Other Services	25,771,000	448,200	24,600	19.3%	15.7%	13.6%
Information	3,160,700	50,000	xx	2.4%	1.8%	xx
Professional and Business Services	17,101,300	262,300	xx	12.8%	9.2%	xx
Other Services	5,509,000	135,900	xx	4.1%	4.8%	xx
Fed/State/Local Government	21,046,000	389,500	25,200	15.7%	13.7%	13.9%
	Change in Avg. # of Jobs Compared to Previous Quarter			% Change in Avg. # of Jobs Compared to Previous Quarter		
All Industries	-295,000	8,500	1,500	-0.2%	0.3%	0.8%
Construction/Natural Resources	203,000	10,900	200	2.6%	7.9%	2.9%
Manufacturing	-13,300	5,800	0	-0.1%	1.1%	0.0%
Retail Trade	123,800	2,100	xx	0.8%	0.7%	xx
Wholesale Trade	22,300	1,600	xx	0.4%	1.4%	xx
Transport/Warehouse/Utilities	-21,100	-800	0	-0.4%	-0.8%	-0.3%
Financial Activities	78,300	1,000	100	1.0%	0.7%	1.2%
Education and Health Services	-143,700	-1,500	0	-0.8%	-0.4%	-0.1%
Leisure and Hospitality	219,000	13,700	2,500	1.7%	5.3%	12.1%
Info./Prof./Bus.and Other Services	193,300	8,300	300	0.8%	1.9%	1.2%
Information	8,000	-800	xx	0.3%	-1.6%	xx
Professional and Business Services	177,000	9,100	xx	1.0%	3.6%	xx
Other Services	8,300	0	xx	0.2%	0.0%	xx
Fed/State/Local Government	-956,700	-30,700	-1,700	-4.3%	-7.3%	-6.2%
	Change in Avg. # of Jobs Compared to Same Quarter in 2004			% Change in Avg. # of Jobs Compared to Same Quarter in 2004		
All Industries	2,131,700	18,800	900	1.6%	0.7%	0.5%
Construction/Natural Resources	233,300	7,800	-400	3.0%	5.5%	-4.2%
Manufacturing	-121,300	-1,000	-400	-0.8%	-0.2%	-1.0%
Retail Trade	221,400	-3,400	xx	1.5%	-1.1%	xx
Wholesale Trade	69,400	2,800	xx	1.2%	2.4%	xx
Transport/Warehouse/Utilities	87,900	400	0	1.8%	0.3%	-0.5%
Financial Activities	178,700	1,100	100	2.2%	0.7%	1.8%
Education and Health Services	442,700	4,900	400	2.6%	1.3%	1.6%
Leisure and Hospitality	237,000	4,100	1,300	1.8%	1.5%	5.7%
Info./Prof./Bus.and Other Services	527,700	5,000	400	2.1%	1.1%	1.5%
Information	17,300	100	xx	0.6%	0.3%	xx
Professional and Business Services	468,000	5,400	xx	2.8%	2.1%	xx
Other Services	42,300	-500	xx	0.8%	-0.4%	xx
Fed/State/Local Government	255,000	-1,100	-400	1.2%	-0.3%	-1.7%

Source: DWD Office of Economic Advisors analysis of Current Employment Statistics (CES) data supplied by DWD Bureau of Workforce Information and the U.S.

Region Continues to Demonstrate Signs of Stability in Third Quarter (contd.)

Looking again at the employment situation in Southeast Wisconsin, we see that manufacturing employment remained unchanged during the third quarter, as did transportation, warehouse, and utilities employment. Despite these indication of relative stability, manufacturing employment throughout the region lies roughly 400 positions below the same point a year go, and continues to rest at levels well below reported employment in the late 1990's when the region's economy last experienced significant wholesale growth. Additionally, recent announcements by a number of automotive industry firms, including Delphi Automotive and General Motors to consider plans for significant financial and production restructuring figure to bear some impact on the region's manufacturing base within the course of the next six to nine months. As such, the region's manufacturing base remains subject to significant market fluctuation.

Looking now at the region's "soft sector" or non-traditional industries, we see that the lion's share of employment growth in the region over the past quarter was centered in these sectors. Most significantly, the region benefited from substantial growth in leisure and hospitality employment, owing primarily to the continued resurgence of tourist development in Racine County and strong activity in the Kettle Moraine and Geneva Lakes areas of Walworth County. Given the close proximity of these destinations to the Milwaukee and Chicago markets, we should expect this cyclical pattern to continue, with residual increases also reported in the fourth quarter employment data. However, it should also be noted that much of this employment is again seasonal and must be assessed at arm's length as to its lasting impact on the region, as a whole, outside of the continued commercial and restaurant development occurring throughout the I-94 corridor in Racine and Kenosha counties, particularly as we enter the autumn and winter months.

In addition to seasonal growth in the leisure and hospitality industry, employment growth in Southeast Wisconsin was also focused in the Information, Professional and Business Services sector. While specific sector-level data is unavailable due to suppression rules in Kenosha and Walworth counties, we can draw the conclusion that much of this growth has been centered in the Professional and Business Services sector, based on state and national trends. Further, growth in this sector has been highly decentralized over the past several quarters, and therefore cannot easily be attributed to the activities of a single employer or group of firms. Nonetheless, sector growth is concentrated within the region's urban centers, most notably the cities of Racine and Kenosha.

Two additional industry sectors that do warrant further discussion are the financial activities and construction sectors. Over the course of the third quarter, financial sector employers added nearly 100 positions to their payrolls, again reflecting a growth pattern noted throughout the state and nationally. Again, given the rather minimal increase throughout the sector, it is difficult to attribute this growth to a single source.

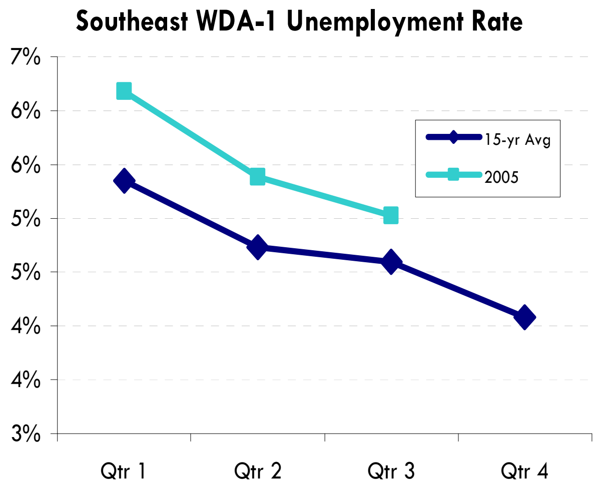
Growth in the financial activities and construction sectors can both be tied to continued residential development in the region. As has been discussed throughout the course of this report, the region continues to experience significant demand for new residential construction. Additionally, the region has once again experienced a resurgence of demand for commercial and retail development, particularly in the southern communities of Kenosha County along the Illinois border, as well as in the northern communities of Racine County adjacent to the Milwaukee metropolitan area. As residents from these regions continue to migrate into Southeast Wisconsin to take advantage of a number of natural amenities and the availability of developable land, we should expect the construction sector to experience ongoing growth.

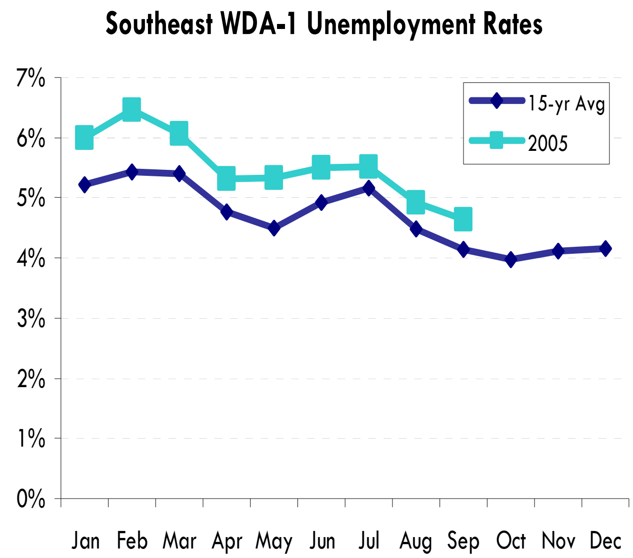
This growth trend should aid the sector in its ongoing battle against other market forces, including competition from regional competitors, and an increasingly constrained fiscal and lending climate. The impact of these factors can be seen in the comparison of current employment figures against those from the same period one year prior. Despite the fact that the sector remains 400 positions below its 2004 employment level, increased activity, as previously discussed, points to a strong recovery.

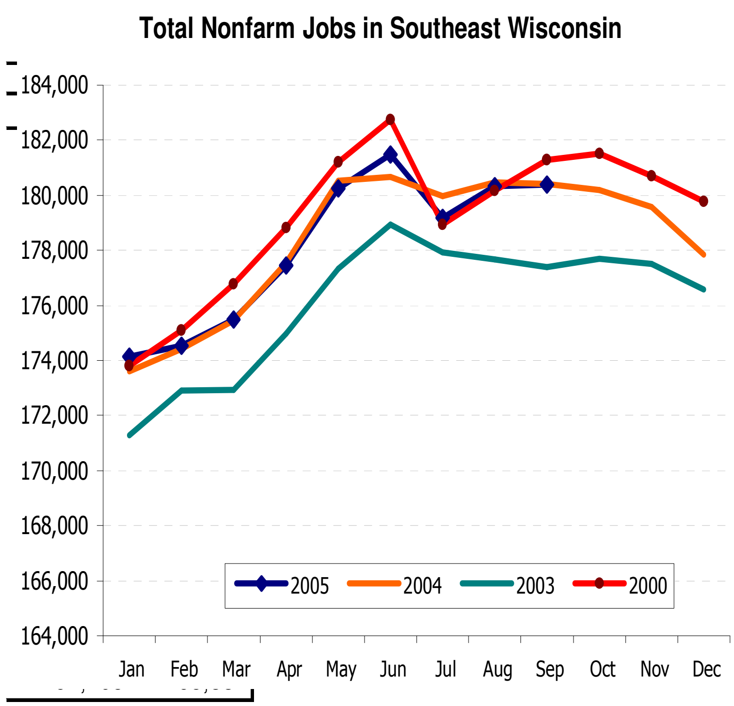
Turning finally to an analysis of the region's industry composition, we see that the Southeast Wisconsin labor force continues to be concentrated primarily in the leisure and hospitality and manufacturing sectors. While this observation is not surprising, it should also be noted that significant growth in a number of other key sectors stands to shift this composition towards a more balanced regional model.

Direct questions and comments to: **Jeff Sachse, Labor Market Economist**
892 Main Street, Suite J, Pewaukee, WI 53072
262.695.7784 e-mail: jeff.sachse@dwd.state.wi.us
or find more labor market information at http://dwd.wisconsin.gov/oea

Third Quarter Economic Indicators







	Change over previous quarter				over yr
Consumer Price Index - All items	**Qtr 1 2005**	**Qtr 2 2005**	**Qtr 3 2005***	**Qtr 4 2005**	**Qtr 3 2004**
United States	0.6%	1.3%	1.2%		3.8%
Midwest cities (50,000-1.5 million pop.)	0.5%	1.2%	1.6%		4.2%
Midwest cities (less than 50,000 pop.)	1.0%	1.5%	1.7%		4.7%
Employment Cost Index					
Civilian total compensation	1.1%	0.6%	0.9%		3.1%
Private industry total compensation	1.1%	0.7%	0.6%		3.0%
Local & state govt. total compensation	0.9%	0.3%	1.8%		3.7%
Civilian wages	0.7%	0.5%	0.8%		2.3%
Private wages	0.7%	0.6%	0.7%		2.2%
Local & state government wages	0.6%	0.2%	1.3%		2.7%
Civilian benefits	2.2%	0.7%	1.1%		5.1%
Private industry benefits	2.3%	0.8%	0.7%		4.8%
Local & state government benefits	1.4%	0.5%	3.0%		6.1%

Source: US Bureau of Labor Statistics

* current quarter

Direct questions and comments to: **Jeff Sachse, Labor Market Economist**
892 Main Street, Suite J, Pewaukee, WI 53072
262.695.7784 e-mail: jeff.sachse@dwd.state.wi.us
or find more labor market information at http://dwd.wisconsin.gov/oea